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Special Counsel to the Official Committee of Unsecured Creditors of Kid Brands, Inc. et al.

In re: Kid Brands, Inc., *et al.* Debtors.[1]	Chapter 11 Case No. 14-22582 (MBK) (Jointly Administered)
Official Committee of Unsecured Creditors of Kid Brands, Inc. et al., Plaintiff, vs. Career Group, Inc., Defendant.	Adv. No. **Refer to Summons**

[1] The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's tax identification number, are: Kid Brands, Inc. (5337); Kids Line, LLC (0448); Sassy, Inc. (9722); I & J Holdco, Inc. (1543); LaJobi, Inc. (1450); CoCaLo, Inc. (3844); and RB Trademark Holdco, LLC (0611).

COMPLAINT TO AVOID AND RECOVER TRANSFERS PURSUANT TO 11 U.S.C. §§ 547, 548, 549 AND 550 AND TO DISALLOW CLAIMS PURSUANT TO 11 U.S.C. § 502

The Official Committee of Unsecured Creditors (the "Committee" or "Plaintiff") of Kid Brands, Inc., *et al.*, the above-captioned debtors and debtors-in-possession (collectively, the "Debtors"), by and through its undersigned counsel, files this complaint (the "Complaint") to avoid and recover transfers against Career Group, Inc. (the "Defendant"), and in support thereof alleges upon information and belief that:

NATURE OF THE CASE

1. Plaintiff seeks to avoid and recover from Defendant, or from any other person or entity for whose benefit the transfers were made, all preferential transfers of property that occurred during the ninety (90) day period prior to the commencement of the Debtors'[2] bankruptcy proceedings pursuant to sections 547 and 550 of chapter 5 of title 11 of the United States Code (the "Bankruptcy Code"). Subject to proof, Plaintiff also seeks to avoid and recover from Defendant or any other person or entity for whose benefit transfers were made pursuant to sections 548 and 550 of the Bankruptcy Code any transfers that may have been fraudulent conveyances. Plaintiff also seeks to avoid and recover from Defendant or any other person or entity for whose benefit transfers were made pursuant to sections 549 and 550 of the Bankruptcy Code any transfers that were made after the Debtors commenced their bankruptcy cases and which transfers were not authorized by the Bankruptcy Code or this Court.

2. In addition, Plaintiff seeks to disallow, pursuant to sections 502(d) and (j) of the Bankruptcy Code, any claim that Defendant has filed or asserted against the Debtors or that has been scheduled for Defendant. Plaintiff does not waive but hereby reserves all of its rights and

[2] The "Debtors" are all entities listed in footnote 1.

the rights of the Debtor to object to any such claim for any reason, including, but not limited to, any reason set forth in sections 502(a) through (j) of the Bankruptcy Code.

JURISDICTION AND VENUE

3. This court has subject matter jurisdiction over this adversary proceeding, which arises under title 11, arises in, and relates to a case under title 11, in the United States Bankruptcy Court for the District of New Jersey (the "Court") captioned *In re Kid Brands, Inc., et al.*, Case No. 14-122582-MBK (the "Bankruptcy Case"), pursuant to 28 U.S.C. §§ 157 and 1334(b) and the *Standing Order of Reference to the Bankruptcy Court Under Title 11*, dated September 18, 2012.

4. This adversary proceeding is a "core" proceeding to be heard and determined by this Court pursuant to 28 U.S.C. § 157(b)(2).

5. Venue is proper in this district pursuant to 28 U.S.C. §§ 1408 and 1409.

6. The statutory and legal predicates for the relief sought herein are sections 502, 547, 548, 549 and 550 of the Bankruptcy Code and Rules 3007 and 7001 of the Federal Rules of Bankruptcy Procedure.

PROCEDURAL BACKGROUND

7. On June 18, 2014 (the "Petition Date") the Debtors each commenced a case by filing a voluntary petition for relief in this Court under chapter 11 of the Bankruptcy Code.

8. On June 25, 2014, the Court entered an order authorizing the joint administration of the Debtors' chapter 11 cases for procedural purposes pursuant to Bankruptcy Rule 1015(b).[3]

9. On July 2, 2014, the United States Trustee for Region 3 (the "U.S. Trustee") appointed a three-member Committee.[4]

[3] D.I. 89.
[4] D.I. 112.

10. On January 16, 2015, the Court entered the *Final Order Pursuant to 11 U.S.C. §§ 105, 361, 362, 363, 364 and 507 (1) Approving Post-Petition Financing, (2) Authorizing Use of Cash Collateral, (3) Granting Liens and Providing Superpriority Administrative Expense Status and (4) Modifying Automatic Stay* (the "Final DIP Order") [Bankr. D.I. No. 537]. Pursuant to the Final DIP Order, the Committee was granted standing to commence, prosecute, compromise or settle causes of action under chapter 5 of title 11 of the United States Code (the "Avoidance Actions") on behalf of the Debtors and their estates.[5]

THE PARTIES

11. The Debtors were headquartered in Rutherford, New Jersey and were designers, importers, marketers, and distributors of infant and juvenile consumer products. As more fully discussed in the declaration filed in support of the first day motions,[6] Debtor Kid Brands, Inc. had operating subsidiaries consisting of Kids Line, LLC ("Kids Line"), CoCaLo, Inc. ("CoCaLo" and, together with Kids Line, "Soft Home"), Sassy, Inc. ("Sassy"), and LaJobi, Inc. ("LaJobi"). Kids Line, CoCaLo, Sassy, and LaJobi were direct or indirect wholly-owned subsidiaries of Kid Brands.

12. The Debtors designed, marketed, and manufactured products in several categories, including: infant bedding and related nursery accessories and décor; nursery appliances; diaper bags; and bath/spa products; nursery furniture and related products; developmental toys and feeding products; and bath and baby care items with features that address the various stages of an infant's early years. The Debtors' products were sold primarily to retailers in North America and Australia, including large, national retailers and independent retailers.

[5] D.I. 537, ¶ 58.
[6] D.I. 2.

13. Upon information and belief, Defendant was, at all relevant times, a vendor to or creditor of the Debtors that provides full-time and temporary placement of administrative staff. Upon further information and belief, at all relevant times, Defendant's principal place of business is 10100 Santa Monica Boulevard, Suite 900, Los Angeles, CA 90067. Plaintiff is informed and believes, and on that basis alleges, that Defendant is a corporation residing in and subject to the laws of the State of California.

FACTUAL BACKGROUND

14. Prior to the Petition Date, the Debtors, as designers, importers, marketers, and distributors of infant and juvenile consumer products, maintained business relationships with various business entities, including vendors, creditors, suppliers and distributors, and regularly purchased, sold, received and/or delivered goods and services in support of their operations.

15. The Debtors utilized a cash management system (the "Cash Management System") to facilitate the timely and efficient collection, management and disbursement of funds used in the Debtors' business. As of the Petition Date, the Cash Management System consisted of bank accounts including depository accounts, concentration accounts, and disbursement accounts, which were maintained at JPMorgan Chase ("JPMorgan"), Cole Taylor Bank ("Cole Taylor"), and Sovereign Bank ("Sovereign," and collectively, the "Banks") [*See* Bankr. D.I. No. 9].

16. Among these bank accounts, the disbursement accounts included a main disbursement account at JPMorgan, which transferred funds to the disbursement accounts in the Banks for each Debtor (the "Disbursement Accounts"). The Disbursement Accounts were then used by the Debtors to pay for their operational costs, including to pay their vendors, suppliers, and distributors, including Defendant.

17. During the ninety (90) day period prior to the Petition Date, that is, between March 20, 2014 and June 18, 2014 (the "Preference Period"), the Debtors continued to operate their business affairs, including the transfer of property, either by checks, cashier checks, wire transfers, ACH transfers, direct deposits or otherwise to various entities.

18. During the course of their relationship, the Defendant and one or more of the Debtors entered into agreements, which are evidenced by invoices, communications and other documents (collectively, the "Agreements"). The details of the Agreements paid for during the Preference Period are set forth on Exhibit A attached hereto and incorporated by reference, including the "Invoice Number," "Invoice Date," "Invoice Amount."

19. The Defendant conducted business with one or more of the Debtors through and including the Petition Date pursuant to the Agreements.

20. As identified in the Agreements, one or more of the Debtors purchased goods and/or services from Defendant.

21. Plaintiff has completed an analysis of all readily available information of the Debtors and is seeking to avoid all of the transfers of an interest of the Debtors' property made by the applicable Debtor(s) to Defendant within the Preference Period.

22. Plaintiff has determined that one or more of the Debtors made transfer(s) of an interest of the Debtors' property to or for the benefit of Defendant during the Preference Period through payments under the Agreements aggregating an amount not less than $26,766.32 (the "Transfer" or "Transfers"). The details of each Transfer are set forth on Exhibit A attached hereto and incorporated by reference, including the "Check Number," "Check Amount," "Check Clear Date," and "Debtor Transferor(s)."

23. During the course of this adversary proceeding, Plaintiff may learn (through discovery or otherwise) of additional transfers made to Defendant during the Preference Period. It is Plaintiff's intention to avoid and recover all transfers made by the Debtors of an interest of the Debtors' property and to or for the benefit of Defendant or any other transferee. Plaintiff reserves its right to amend this original Complaint to include: (i) further information regarding the Transfer(s), (ii) additional transfers, (iii) modifications of and/or revisions to Defendant's name, (iv) additional defendants, and/or (v) additional causes of action, including without limitation, actions under 11 U.S.C. §§ 542, 544, and/or 545, if applicable (collectively, the "Amendments"), that may become known to Plaintiff at any time during this adversary proceeding, through formal discovery or otherwise, and for the Amendments to relate back to the date of the filing of this original Complaint.

24. Plaintiff acknowledges that some of the Transfers might be subject to defenses under Bankruptcy Code section 547(c), for which Defendant bears the burden of proof under section 547(g).

FIRST CLAIM FOR RELIEF
(Avoidance of Preference Period Transfers – 11 U.S.C. § 547)

25. Plaintiff hereby incorporates all previous allegations as though fully set forth herein.

26. As more particularly described on Exhibit A attached hereto and incorporated herein, during the Preference Period, the Debtor(s) identified on Exhibit A made the Transfers to or for the benefit of Defendant in an aggregate amount of not less than $26,766.32.

27. Each Transfer was made from one or more of the Disbursement Accounts described *supra* and constituted transfers of an interest in property of the transferring Debtor.

28. During the Preference Period, Defendant was a creditor at the time of each Transfer by virtue of supplying to the Debtor identified on Exhibit A the goods and/or services identified in the Agreements, as more fully set forth on Exhibit A hereto, for which the Debtor identified on Exhibit A was obligated to pay in accordance with such Agreements.

29. Each Transfer was to or for the benefit of a creditor within the meaning of 11 U.S.C. § 547(b)(1) because each Transfer either reduced or fully satisfied a debt or debts then owed by the Debtor identified on Exhibit A hereto.

30. Each Transfer was made for, or on account of, an antecedent debt or debts owed by the Debtor identified on Exhibit A to Defendant before such Transfers were made, as asserted by Defendant and memorialized in the Agreements, each of which constituted a "debt" or "claim" (as those terms are defined in the Bankruptcy Code) of Defendant prior to being paid by the transferring Debtor, as set forth on Exhibit A hereto.

31. Each Transfer was made while the Debtor was insolvent. Plaintiff is entitled to the presumption of insolvency for each Transfer made during the Preference Period pursuant to 11 U.S.C. § 547(f).

32. Each Transfer was made during the Preference Period, as set forth on Exhibit A.

33. As a result of each Transfer, Defendant received more than Defendant would have received if: (i) the Debtors' cases were under chapter 7 of the Bankruptcy Code; (ii) the Transfers had not been made; and (iii) Defendant received payments of its debts under the provisions of the Bankruptcy Code. As evidenced by the Debtors' schedules filed in the underlying bankruptcy cases, as well as the proofs of claim that have been received to date, each Debtors' liabilities exceed their assets to the point that unsecured creditors will not receive a

payment in full on account of their respective allowed claims from the Debtors' bankruptcy estates.

34. Based on the foregoing, each Transfer is avoidable pursuant to 11 U.S.C. § 547(b).

SECOND CLAIM FOR RELIEF
(Avoidance of Fraudulent Conveyances – 11 U.S.C. § 548(a)(1)(B))

35. Plaintiff hereby incorporates all previous allegations as though fully set forth herein.

36. The Debtor identified on Exhibit A made the Transfer(s) or a portion thereof to or for the benefit of Defendant in an aggregate amount of not less than «TotTransfer» on or within two years prior to the Petition Date.

37. Subject to proof, Plaintiff pleads in the alternative that to the extent one or more of the Transfer(s) identified on Exhibit A was not made on account of an antecedent debt, the transferring Debtor did not receive reasonably equivalent value in exchange for such transfer(s) (the "Potentially Fraudulent Transfers"); and

A. The Debtor(s) were insolvent as of the date of the Transfer(s), or became insolvent as a result of the Transfer(s); or

B. The Debtor(s) were engaged, or about to engage, in business or a transaction for which any property remaining with the Debtor(s) who made or for whose benefit the Transfer(s) was made was an unreasonably small capital; or

C. The Debtor(s) intended to incur, or believed it would incur, debts beyond its ability to pay upon maturity.

38. Based upon the foregoing, the Potentially Fraudulent Transfers are avoidable pursuant to 11 U.S.C. § 548(a)(1)(B).

THIRD CLAIM FOR RELIEF
(Avoidance of Unauthorized Post-Petition Transfers – 11 U.S.C. § 549)

39. Plaintiff repeats the allegations above as if fully set forth herein.

40. To the extent any of the Transfer(s) made by Debtor to Defendant cleared the Bank Account(s) after the Petition Date (the "Post-Petition Transfers") and were not authorized by the Court or under the Bankruptcy Code, Plaintiff pleads in the alternative that such Post-Petition Transfers are avoidable pursuant to 11 U.S.C. § 549.

FOURTH CLAIM FOR RELIEF
(Recovery of Avoided Transfers – 11 U.S.C. § 550)

41. Plaintiff hereby incorporates all previous allegations as though fully set forth herein.

42. Plaintiff is entitled to avoid the Transfer(s) pursuant to 11 U.S.C. § 547(b), any Potentially Fraudulent Transfers pursuant to 11 U.S.C. § 548, and/or any Post-Petition Transfers pursuant to 11 U.S.C. § 549 (collectively, the "Avoidable Transfers").

43. Defendant was the initial transferee of the Avoidable Transfer(s) or the immediate or mediate transferee of such initial transferee or the person for whose benefit the Avoidable Transfer(s) were made.

44. Based upon the foregoing, Plaintiff is entitled to recover the Avoidable Transfer(s) or the value of the Avoidable Transfer(s) from Defendant under 11 U.S.C. § 550(a), together with an award of pre- and post-judgment interest thereon from the date of demand to the date of payment and the costs of this action.

FIFTH CLAIM FOR RELIEF
(Disallowance of all Claims – 11 U.S.C. § 502(d) and (j))

45. Plaintiff hereby incorporates all previous allegations as though fully set forth herein.

46. Defendant is a transferee of transfers avoidable under section 547, 548 and/or 549 of the Bankruptcy Code, which property is recoverable under section 550 of the Bankruptcy Code.

47. Defendant has not satisfied its liability for the Avoidable Transfers or turned over such property for which Defendant is liable under section 550 of the Bankruptcy Code.

48. Pursuant to section 502(d) of the Bankruptcy Code, any and all claims of Defendant and/or its assignee against Plaintiff must be disallowed until such time as Defendant pays Plaintiff an amount equal to the Avoidable Transfers, plus interest thereon and costs.

49. Pursuant to section 502(j) of the Bankruptcy Code, any and all previously allowed claims of Defendant against Plaintiff, including any and all claims assigned by Defendant, must be reconsidered and disallowed until such time as Defendant pays to Plaintiff the amount equal to the Avoidable Transfers, plus interest thereon and costs.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff prays that this Court grant the following relief against Defendant:

A. On Plaintiff's First, Second, Third, and Fourth Claims for Relief, judgment in favor of Plaintiff and against Defendant, avoiding all of the Avoidable Transfers and directing Defendant to return to Plaintiff the amount of the Avoidable Transfers, pursuant to 11 U.S.C. §§ 547(b), 548, and/or 549 and 550(a), plus interest from the date of demand at the maximum legal rate and to the fullest extent allowed by applicable law, together with the costs and expenses of this action including, without limitation, attorneys' fees;

B. On Plaintiff's Fifth Claim for Relief, judgment in favor of Plaintiff and against Defendant disallowing any claims held or filed by Defendant against the Plaintiff until Defendant returns the Avoidable Transfers to Plaintiff pursuant to 11 U.S.C. § 502(d) and (j); and

C. Granting Plaintiff such other and further relief as this Court may deem just and proper.

Dated: June 16, 2016

By: *__/s/ Ronald S. Gellert______*
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